TOWNSHIP OF STAMBAUGH Financial Report with Supplemental Information Prepared in Accordance with GASB 34 MARCH 31, 2005

# Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

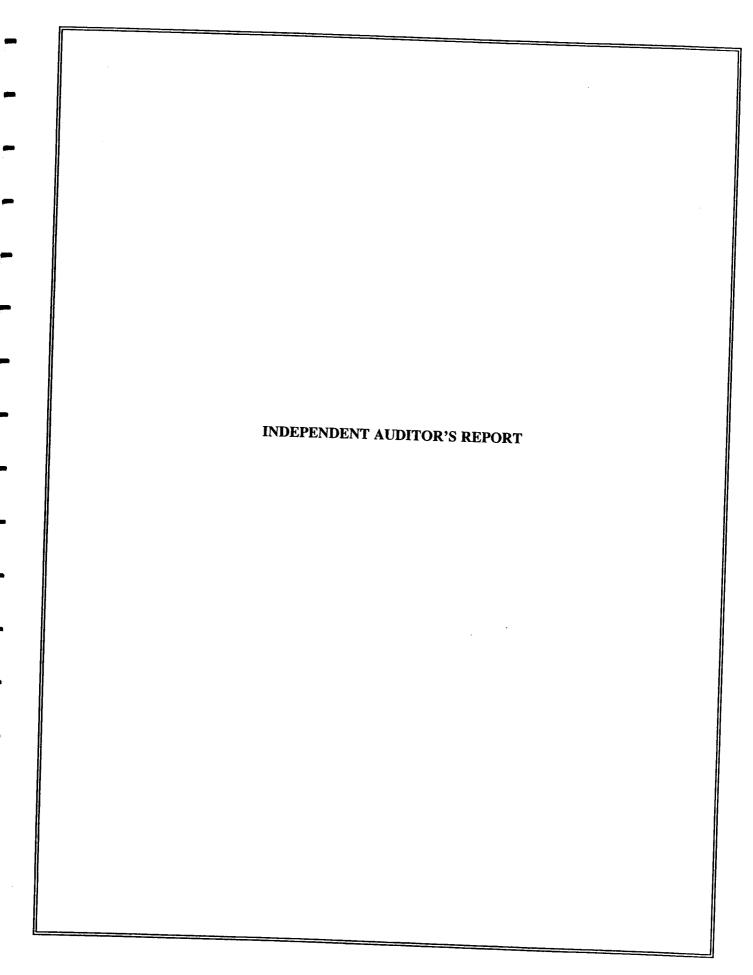
Local Government Type City Townshi		☐ Other	Local Government Name TOWNSHIP OF STAMBAU	GH		County	
Audit Date 3/31/05	Opinion <b>7/20</b>	/05	Date Accountant Repo	rt Submitted to State:		· <b>!</b>	
We have audited the fill accordance with the Signancial Statements for We affirm that:	nancial state tatements of r Counties an	ments of this the Govern d Local Units	local unit of government and remember and second sec	ndered an opinio oard (GASB) a e Michigan Depa	on on finar nd the <i>Ur</i> artment of	ncial stat niform R Treasury	tements prepa eporting Form
1. We have complied	with the <i>Bulle</i>	tin for the Au	dits of Local Units of Government	<i>in Michigan</i> as r	evised.		
2. We are certified put	olic accountar	nts registered	to practice in Michigan.				
We further affirm the follo comments and recomme	owing. "Yes" endations	responses ha	ave been disclosed in the financia	I statements, inc	luding the	notes, o	r in the report
ou must check the appli							
			unds/agencies of the local unit are	excluded from	the financi	ial etato	monto
			eficits in one or more of this unit				
Yes No 3.	There are insamended).	stances of no	on-compliance with the Uniform	Accounting and	Budgeting	g Act (P	P.A. 2 of 1968
]Yes [√]No 4. ī r	The local uni equirements,	t has violate or an order i	d the conditions of either an or ssued under the Emergency Muni	der issued und icipal Loan Act.	er the Mu	nicipal F	Finance Act o
Yes 📝 No 5. T	he local unit	holds depos	sits/investments which do not con or P.A. 55 of 1982, as amended		ory require	ements.	(P.A. 20 of 19
			inquent in distributing tax revenue			oother to	avina unit
T ]Yes [√] No 7. po	he local unit ension benefi	has violated	the Constitutional requirement ( osts) in the current year. If the plormal cost requirement, no contrib	(Article 9, Section	on 24) to	fund cur	rent year ean
			cards and has not adopted an a				
Yes ✓ No 9. Th	e local unit h	as not adopte	ed an investment policy as require	ed by P.A. 196 of	f 1997 (MC	CL 129.9	5).
have enclosed the fol	lowing:			Enclosed		Be	Not
e letter of comments and	d recommend	lations.		✓ ✓	Forw	arded	Required
ports on individual feder	al financial as	ssistance pro	grams (program audits).	<b>-</b>	-		
gle Audit Reports (ASL0	SU).			<del></del>	+		
ified Public Accountant (Firm N S ROSTAGNO, CPA,	lame)						<b>✓</b>
et Address  1 WEST MAPLE STF			City		State	ZIP	
ountant Signature			IRON RIVE	R	MI	499	35
Deam OC	artegna				9/27/05	j	

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## DS Rostagno, CPA, P.C.

101 West Maple Street, Iron River, MI 49935 Tel (906) 265-1040 Fax (906) 265-1042

Honorable Supervisor and Township Board **Township of Stambaugh** Caspian, Michigan 49915

#### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the **Township of Stambaugh**, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Township of Stambaugh** at March 31, 2005, and the respective changes in financial position and cash flows thereof for the year ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2005 on our consideration of the **Township of Stambaugh**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance.

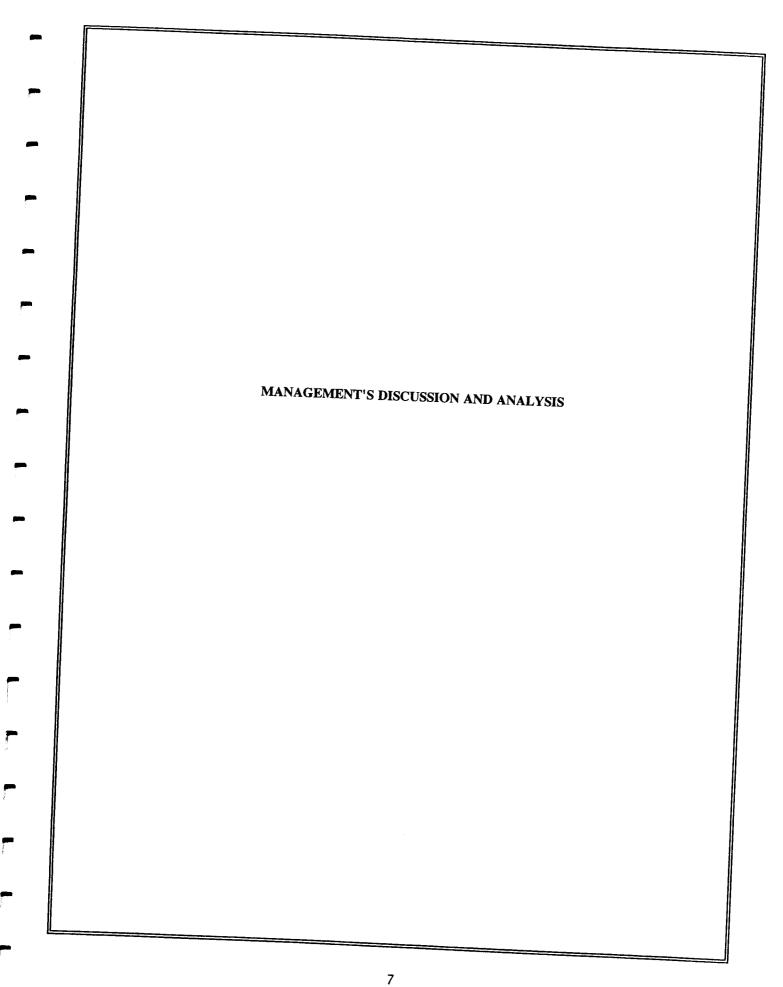
That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with the report in considering the results of our audit.

The management's discussion and analysis on pages 7 through 18 and the budgetary comparison information are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquires of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Township of Stambaugh**'s basic financial statements. The combining and individual fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dianne S. Rostagno DS ROSTAGNO, CPA, P.C.

July 20, 2005



P.O.Box 545 Caspian, Michigan 49915

The management of the **Township of Stambaugh** provides this narrative overview and analysis of the financial activities of the **Township of Stambaugh** for the fiscal year ended March 31, 2005. As readers, you are encouraged to read this discussion and analysis in conjunction with the Township's financial statement information included in this report.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Township include general government, legislative, public safety, public works, Township property, and culture and recreation. The business-type activities of the Township include Water and Sewer utility service.

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#### Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered a major fund. The Liquor Law Enforcement Fund is a non-major governmental fund.

Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

The Township adopts an annual budget for its general and other governmental funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general and other major governmental funds, and is included in the "Required Supplementary Information" section of this document.

## STAMBAUGH TOWNSHIP

P.O.Box 545 Caspian, Michigan 49915

#### Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - an enterprise fund. The enterprise funds of the Township are used to report the same functions as the business-type activities in the government-wide financial statements. The Water and Sewer Utility Funds are presented separately in both the government-wide financial statements and the fund financial statements. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

#### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund for the Township is the Tax Collection Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

#### Notes to the Financial Statements

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

#### Supplementary Information

<u>Required supplementary information</u> follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the Township's major special revenue funds as presented in the governmental fund financial statements.

A separate financial statement for the Township's non-major governmental funds is also included in the Other Supplementary Information section of this document.

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### Government-wide Financial Analysis

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Township, assets exceeded liabilities by \$ 974,849 at March 31, 2005.

By far, the largest portion of the Township's net assets is its cash and cash equivalents. In addition, a large portion of Township assets are held in its investment in capital assets (land, buildings, infrastructure, machinery, and equipment), less any outstanding debt related to the asset. These capital assets are used to provide services to citizens and are not available for future spending. At March 31, 2005 the Township reported \$ 302,421 in net assets invested in capital assets net of related debt.

External restrictions of the Township's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$677,989 may be used to meet the Township's ongoing obligations to citizens and creditors.

Total net assets in excess of liabilities at March 31 for the governmental activities and business-type activities were \$818,784 and \$156,065, respectively.

#### **Summary of Net Assets**

The following summarizes the net assets at fiscal year ended March 31, 2005.

March 31, 2005 **Primary Government** Governmental **Business-type** Activities **Activities** Total Assets Current and other assets 697528 (1246)Capital assets, net 696282 139117 163304 302421 Total Assets 836645 162058 998703

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## Government-wide Financial Analysis (Continued)

## **Summary of Net Assets (Continued)**

March	31,	2004
-------	-----	------

	March 31, 2004						
-		<u>Primar</u>					
Liabilities Long-term liabilities	-	Governmental Activities		Business-type Activities		- <u>Total</u>	
Other liabilities	\$	0 17861	\$	•	\$		
Total Liabilities		17861		5993		23854	
Net Assets Invested in capital assets, net of related debt				5993		23854	
Reserved Unreserved and undesignated		139117 1678 <u>677</u> 989		163304 (7239)		302421 (5561)	
Total Net Assets	\$	818784	\$	156065	_	677989	
For			-	== 000	\$	974849	

For governmental activities, net assets decreased by \$ 60,464 during the fiscal year. For business-type activities, net assets increased by \$ 34,555 during the fiscal year.

The following represents the changes in net assets for both governmental and business-type activities for the

March 31, 2005

		Primary Go				
REVENUES Program Revenues	Governmental <u>Activities</u>					<u>Total</u>
Charges for Services Operating grants/contributions General Revenues Property taxes	\$	11160 16408	\$	144533	\$	155693 16408
Other taxes Unrestricted grants Other		60030 23122 86788				60030 23122
Total Revenues	\$	3658 <b>201166</b>	\$	4165 148698	-	86788 7823 <b>349864</b>

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## Government-wide Financial Analysis (Continued)

		March 31 Primary Go				
	G	overnmental Activities	B	usiness-type Activities	<del></del>	Total
EXPENSES	-			ACTIVITIES		<u>Total</u>
General government	\$	72814	\$		\$	72814
Legislative		17400	•		~	17400
Township property		29939				29939
Public safety		20460				20460
Public works		105107				105107
Cemetery		9984				9984
Culture and recreation		0				0.04
Depreciation		5926				5926
Total governmental expenses		261630		-0-		261630
Water Sewer  Total business-type expenses		-0-		107439 6704 114143	-	107439 6704 114143
TOTAL EXPENSES	\$	261630	\$	114143	\$	375773
Increase (Decrease) in net assets before transfers		(60464)		34555		(25909)
Transfers - net		<del>-</del> 0 -		-0-		-0-
Increase (Decrease) in Net Assets		(60464)		34555		(25909)
Net Assets, beginning of year		879248	_	121510	_	1000758
Net Assets, end of year	\$	818784	\$ _	156065	\$	974849

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#### Governmental Activities

Property taxes and other tax revenues comprise \$ 83,152 or approximately 41 percent of total governmental revenues.

The Township also collected \$ 11,160 for services provided. And, at fiscal year end, the Township reported \$ 86,788 in grants and contributions not restricted for specific programs. This amount was due entirely to the State of Michigan's state sales tax distribution, and comprises approximately 43 percent of total governmental revenues.

The Township expended \$261,630 on governmental programs and services. Some of the largest expense categories were for public works, where \$105,107 or 40 percent of total governmental expenditures were reported. General government expenditures were \$72,814 or 28 percent of total governmental expenditures. A total of \$29,939 was expended on the maintenance of Township property.

#### Business-type Activities

Business-type activities increased the Township's net assets by \$34,555. Charges for services for the Water and Sewer activities for the year ended were \$137,280 and \$7,253, respectively. Total expenses for the Water and Sewer activities for the year ended were \$107,439 and \$6,704, respectively.

## Financial Analysis of the Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

#### Governmental Funds

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

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#### Governmental Funds (Continued)

The Township's governmental funds reported combined ending fund balances of \$679,666, of which \$1,678 is reserved and the remaining \$677,988 is available for spending at the government's discretion.

The Township's primary governmental fund is its general fund. There are no reservations in the general fund's fund balance.

On the budgetary basis of accounting, the Township ended the fiscal year with revenues exceeding both the original and the final budgetary projections. Total expenditures were considerably lower than the original and final projections. Because of this, at fiscal year, the fund balance was substantially higher than either the original or the final amended budget projections.

## Revenues - Budget vs Actual for the Fiscal Year Ended March 31, 2005:

	Revenues Orginal Budget	Revenues Final Budget	Revenues Final Actual	Revenues Actual Variance and Original Budget	Revenues Variance Actual and Final Budget
<b>General Fund</b>	\$ 106500	\$ 106500	\$ 199488	\$ 92988	\$ 92988

## Expenditures - Budget vs Actual for the Fiscal Year Ended March 31, 2005:

	Expenditures Orginal Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual and Original Budget	Expenditures Variance Actual and Final Budget
<b>General Fund</b>	\$ 370366	\$ 370366	\$ 257462	\$ 112904	\$ 112904

General fund financial and budgetary highlights of the fiscal year include:

\* Property taxes, administration fees, and other taxes exceeded budgetary projections by \$50,652.

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## Governmental Funds (Continued)

- \* State sales tax distributions were up from the original and final amended budget, coming in at \$ 90,200, which is more than the budget estimates of \$ 70,000.
- \* Expenditures in total for the general fund were \$257,462, less than the original and final amended budget by \$370,366 by \$112,904. This was due to a conservative approach to budget estimates in all cost centers.

#### Proprietary Funds

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Water Fund at year-end were \$ 155,516; of this amount, \$ 86,518 of Township equity in the Water Fund was invested in capital assets, net of related debt. \$ 68,998 was reserved for the operation of utility services. The change in net assets was a gain of \$ 34,006.

Net assets of the Sewer Fund at year-end were \$ 549. This was the first year of sewer fund operations for the Township.

## **Capital Assets and Debt Administration**

#### Capital Assets

The Township's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of March 31 was \$ 302,421. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and licensed vehicles.

Infrastructure assets represent \$ 187,282 or approximately 39 percent of the estimated original cost of total assets. The infrastructure is accounted for in the Water Fund. There is no infrastructure attributed to the General Fund.

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## Capital Assets and Debt Administration (Continued)

#### Capital Assets (Continued)

Major capital events and accomplishments during the current fiscal year included:

- \* Completion of the Hagerman Lake Water Project, consisting of updating the system with a new well and generator.
- \* Completion of a large water project on Clements Lane, including road construction of Clements Lane.
- Resurfacing of Nowicki Road.

#### Long-term debt

As of March 31, the Township (including the enterprise funds) had no bonded debt outstanding.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. Since the Township has no bonded debt, this is not a concern to the Township.

## Other Economic Factors and Next Year's Budget

#### Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state budget cuts will likely translate into strategic reductions of Township expenses to maintain a fiscally sound budget.

Despite the poor outlook of the State's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families, and maintain a safe and clean community in which to live.

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## Other Economic Factors and Next Year's Budget (Continued)

## **Economic Factors (Continued)**

The Township's fiscal year 2005-2006 general fund budget does not vary considerably from the 2004-2005 budget.

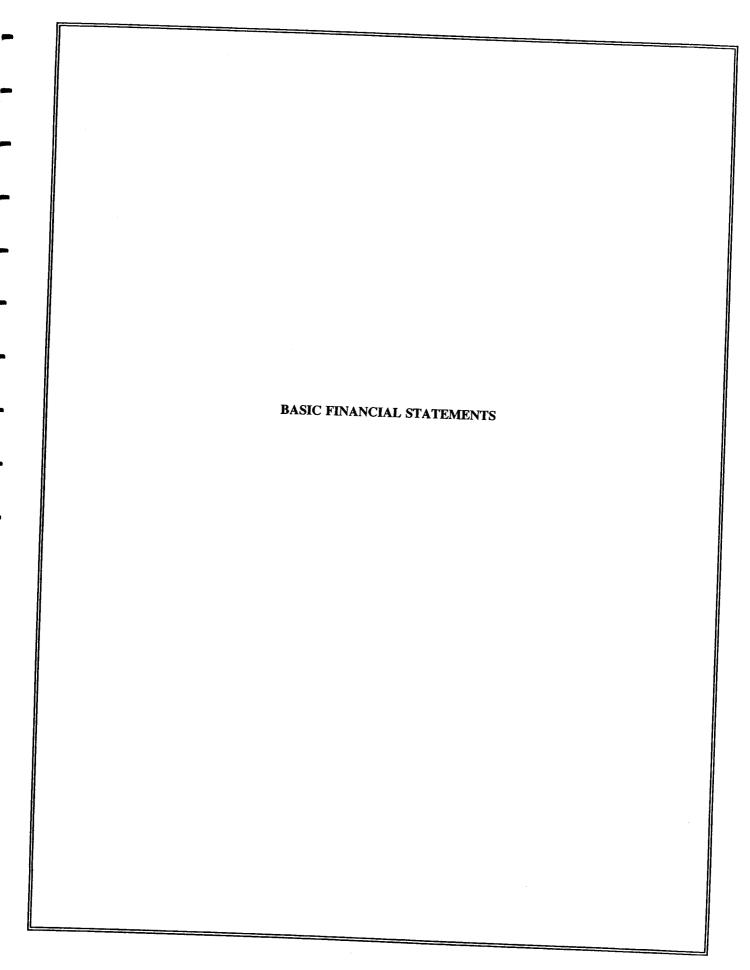
Major plans and priorities for the 2005-2006 fiscal year include:

- \* Waterline replacement near Pentoga Road at an approximate cost of \$ 20,000.
- \* Resurfacing and reconstruction of Smokey Lake Drive, Bear Lane, and a portion of Bengal Road at the estimated cost of \$63,000.
- \* In 2006, blacktopping of four miles of West Brule Lake Road, with a cost to the Township of approximately \$ 160,000.

### **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor Township of Stambaugh Caspian, Michigan 49915



#### STATEMENT OF NET ASSETS

MARCH 31, 2005

	Primary Government					
	Gov	rernmental		iness-type		Total
ASSETS .	A	ctivities	A	ctivities	Repo	rting Entity
Current Assets				<u> </u>		
Cash and Cash Equivalents (Note C)	\$	615,919	\$	27,834	\$	643,753
Receivables						
Taxes		5,932				5,932
Accounts Receivable				17,937		17,937
Internal Balances		47,017		(47,017)		-
Due from External Parties	_	28,660				28,660
Total Current Assets		697,528		(1,246)		696,282
Noncurrent Assets						
Cash and Cash Equivalents, Restricted		-				-
Capital Assets, Net (Note H )		139,117		163,304		302,421
•						
Total Noncurrent Assets		139,117		163,304		302,421
TOTAL ASSETS	\$	836,645	\$	162,058	\$	998,703
LIABILITIES						
Current Liabilities						
Accounts Payable		-		848		848
Accrued Benefits		760		5,145		5,905
Accrued Taxes		-				-
Deferred Revenue		17,101				17,101
Current portion of long-term debt						-
Total Current Liabilities		17,861		5,993		23,854
Noncurrent Liabilities						
Revenue Bonds Payable						-
Total Noncurrent Liabilities		-		-		-
TOTAL LIABILITIES	\$	17,861	\$	5,993	\$	23,854
NET ASSETS						
Invested in Capital Assets, Net of Related Debt		139,117		163,304		302,421
Reserved for Liquor Law Enforcement		1,678				1,678
Reserved for Utility Services				(7,239)		(7,239)
Unreserved and Undesignated		677,989				677,989
TOTAL NET ASSETS	\$	818,784	\$	156,065	\$	974,849

#### STATEMENT OF ACTIVITIES

MARCH 31, 2005

			Program Revenues					
Functions/Programs	Ex	penses		Charges r Services	(	Operating Grants & atributions	Capital <u>Grants</u>	
Primary Government -								
General government Legislative	\$	72,814 17,400	\$	10,083	\$	-	\$ -	
Township property		29,939		840				
Public safety		20,460				1,678		
Public works		105,107				14,730		
Cemetery Culture and recreation		9,984						
Depreciation (Unallocated)		- -		237				
Dopresiation (onallocated)		5,926		<del></del>				
Total Governmental Activities	\$	261,630	\$	11,160	\$	16,408	\$ -	
<b>Business-type Activities</b>								
Water Utility		107,439		137,280				
Sewer Utility		6,704		7,253				
Total Business-type Activities	\$	114,143	\$	144,533				

#### **General Revenues:**

Taxes:

Property taxes levied for general operations Other taxes and fees State Sales Tax Distribution Interest and Investment Earnings Other

#### **Total General Revenues**

**Change in Net Assets** 

**NET ASSETS - BEGINNING OF YEAR** 

**NET ASSETS - END OF YEAR** 

#### STATEMENT OF ACTIVITIES

MARCH 31, 2005

## Net (Expense) Revenue and Changes in Net Assets

Gov	vernmental <u>Activities</u>	Вι	isiness-type <u>Activities</u>	<u>Total</u>			
\$	(62,731) (17,400) (29,099) (18,782) (90,377) (9,984) 237	\$	\$ -		(62,731) (17,400) (29,099) (18,782) (90,377)		
	(5,926)				(5,926)		
\$	(234,062)	\$	-	\$	(234,062)		
			29,841 549		29,841 549		
		\$	30,390	\$	30,390		
	60,030				60,030		
	23,122 86,788				23,122		
	785		2,427		86,788		
	2,873		1,738		3,212 4,611		
	173,598		4,165		177,763		
	(60,464)		34,555		(25,909)		
	879,248	1	21,510	1	,000,758		
\$	818,784	\$ 1	56,065	\$	974,849		

#### BALANCE SHEET GOVERNMENTAL FUNDS

MARCH 31, 2005

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds		
ASSETS Cash and Investments (Note C ) Unrestricted Receivables: Taxes Accounts Receivable Due from Other Funds  TOTAL ASSETS	\$ 614,220 5,932 - 75,676 \$ 695,828	\$ 1,699 \$ 1,699	\$ 615,919 5,932 75,676		
LIABILITIES AND FUND BALANCES LIABILITIES Accrued Benefits Deferred Revenue Due to Other Funds	739 17,101	21	\$ 697,527 760 17,101		
TOTAL LIABILITIES	17,840	21	17,861		
FUND BALANCES Reserved for Liquor Law Enforcement Unreserved and undesignated TOTAL FUND BALANCES	677,988 677,988	1,678	1,678 677,988 <b>679,666</b>		
TOTAL LIABILITIES AND FUND BALANCES	\$ 695,828	\$ 1,699	\$ 697,527		

#### GOVERNMENTAL FUNDS RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

MARCH 31, 2005

Fund Balances - Total Governmental Funds	\$ 679,666
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.  The cost of capital assets is: Accumulated depreciation is:	215,749 (76,632)
Long term liabilities are not due and payable in the current period and are not reported in the funds:  Bonds Payable Compensated Absences	- -
Other long term assets not available to pay current period expenditures therefore deferred in the funds	-
Difference due to rounding	1
Total Net Assets - Governmental Activities	\$ 818,784

The notes to the financial statements are an integral part of this report.

\$ 818,784

## GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED MARCH 31, 2005

	General <u>Fund</u>		Gov	lonmajor vernmental <u>Funds</u>	Total Governmental <u>Funds</u>		
REVENUE							
General Property taxes	\$	60,030	\$		•		
Other local taxes and fees	Ψ	23,122	Ф	-	\$	60,030	
Use of money and property		1,625				23,122	
Charges for services		12,956				1,625	
Miscellaneous		237				12,956	
Intergovernmental		101,518		4.670		237	
		101,010		1,678		103,196	
TOTAL REVENUE	\$	199,488	\$	1,678	\$	201,166	
EXPENDITURES							
Current Operating:							
General government		72,814				72,814	
Legislative		17,400				17,400	
Township property		29,939				•	
Public safety		19,000		1,460		29,939	
Public works		105,107		1,400		20,460	
Cemetery		9,984				105,107 9,984	
Culture and recreation		-				9,904	
Capital Outlay		3,218				3,218	
Intergovernmental Payments		,				3,210	
TOTAL EXPENDITURES	\$	257,462	\$	1,460	\$	258,922	
Excess (Deficiency) of Revenues Over Expenditures		(57,974)		218		(57,756)	
Other Financing Sources (Uses) Operating transfers in Operating transfers out		-		-		- -	
Total Other Financing Sources(Uses)		-		_		-	
Net Change in Fund Balances		(57,974)		218		(57,756)	
FUND BALANCE - BEGINNING OF YEAR		735,962		1,460		737,422	
FUND BALANCE - END OF YEAR	\$	677,988	\$	1,678	\$	679,666	

#### GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2005

## Net Change in Fund Balances - Total Governmental Funds

\$ (57,756)

Amounts reported for governmental activities in the statement of activities are different because:

> Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

**Depreciation Expense** (5,926)Capital Outlay 3,218 Total

(2,708)

Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long term debt)

Increases Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6

Change in Net Assets of Governmental Activities

\$ (60,464)

#### STATEMENT OF FUND NET ASSETS ENTERPRISE FUNDS

MARCH 31, 2005

	Water Fund	Sewer Fund	Totals		
ASSETS			Totals		
Current Assets:					
Cash, Unrestricted	\$ 28,120	\$ (286)	\$ 27,834		
Receivables, Net		()	Ψ 27,054		
Accounts	17,148	789	- 17,937		
Internal Balances					
Total Current Assets	45,268	503	45,771		
Noncurrent Assets:					
Restricted Cash					
Capital Assets			-		
Buildings	22 407				
Equipment	33,107 43,670		33,107		
Infrastructure	43,679		43,679		
Less:	201,556		201,556		
Allowance for depreciation	(115,038)		(115,038)		
Total Capital Assets, Net	163,304	•	163,304		
Total Noncurrent Assets	163,304		163,304		
TOTAL ASSETS	\$ 208,572	<b>\$</b> 503	\$ 209,075		
<u>LIABILITIES</u>			+ 200,075		
Current Liabilities:					
Accounts Payable					
Accrued Benefits	848		848		
Internal Balances	5,145		5,145		
Deferred Revenue	47,063	(46)	47,017		
Total Current Liabilities			<del></del>		
	53,056	(46)	53,010		
Non-current Liabilities:					
Revenue Bonds Payable	<u> </u>				
Total Non-current Liabilities	-		-		
TOTAL LIABILITIES	\$ 53,056	\$ (46)	-		
	7 00,000	\$ (46)	\$ 53,010		
<u>NET ASSETS</u>					
nvested in capital assets, net					
of related debt	86,518				
Reserved for Utility Services	68,998	-	86,518		
Inreserved	00,990	549	69,547		
	-		-		
TOTAL NET ASSETS	_\$_ 155,516	<b>e</b> =45			
=	<u>Ψ 133,516</u>	\$ 549	\$ 156,065		

# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS ENTERPRISE FUNDS

MARCH 31, 2005

OPERATING REVENUES Charges for Services Miscellaneous	Water Fund \$ 137,280 1,738	Sewer Fund \$ 7,253	Total Enterprise Funds  \$ 144,533 1,738
TOTAL OPERATING REVENUES	\$ 139,018	\$ 7,253	\$ 146,271
OPERATING EXPENSES Personal Services and Benefits Contractual Services Repairs and Maintenance Other Supplies and Expenses Administrative Expenses Water Purchases Depreciation Miscellaneous	42,294 13,581 - 36,652 - 4,062 10,514 - 336	6,704	42,294 20,285 - 36,652 - 4,062 10,514 336
TOTAL OPERATING EXPENSES	\$ 107,439	\$ 6,704	\$ 114,143
Operating Income (Loss)  Non-Operating Revenues (Expenses:)	31,579	549	32,128
Interest and Investment Revenue Interest Expense	2,427		2,427
Total Non-Operating Revenues (Expenses)	2,427	-	2 407
Change in Net Assets	34,006	549	2,427 <b>34,555</b>
NET ASSETS, BEGINNING OF YEAR NET ASSETS, END OF YEAR	121,510	-	121,510
OF TEAR	\$ 155,516	\$ 549	\$ 156,065

#### STATEMENT OF CASH FLOWS ENTERPRISE FUNDS

FISCAL YEAR ENDED MARCH 31, 2005

CASH FLOWS FROM (USED BY)	1	Water Fund	<u>s</u>	ewer Fund		<u>Totals</u>
OPERATING ACTIVITIES  Net cash received from fees and services Other operating revenues	\$		\$	6,464	\$	134,786
Cash payments to employees for services Cash payments to goods and services Other operating expenses		1,738 (42,678) (56,503)		- (6,704)	·	1,738 (42,678) (63,207)
NET CASH FROM OPERATING ACTIVITIES	\$	30,879	\$	(240)	s	30,639
NON CAPITAL AND FINANCING ACTIVITIES (Increase) decrease in due from other funds				,	Ť	00,003
Increase (decrease) in due to other funds Net operating transfers in (out)		- (1,954) -		(46) - -		(46) (1,954)
NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	\$	(1,954)	\$	(46)	s	(2,000)
CAPITAL AND RELATED FINANCING ACTIVITIES				(,	•	(2,000)
Acquisition and construction of capital assets		(16,949)				
Principal payment on long-term bonds Interest paid on long-term bonds		-		<u>-</u>		(16,949)
Interest and tax expense		-		_		-
Proceeds from borrowings		-		-		-
Contributed capital grants		-		-		-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES				<del></del>		-
INVESTING ACTIVITIES	\$	(16,949)	\$	-	\$	(16,949)
nterest Income	<del></del>	2,427	_	-		2,427
NET CASH FROM INVESTING ACTIVITIES	\$	2,427	\$			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			•	-	\$	2,427
Edulytriaio		14,403		(286)		14,117
ash and Cash Equivalents, Beginning of Year		13,717		_		13,717
ash and Cash Equivalents, End of Year	\$	28,120	\$	(286)	\$	27,834

#### STATEMENT OF CASH FLOWS ENTERPRISE FUNDS (CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

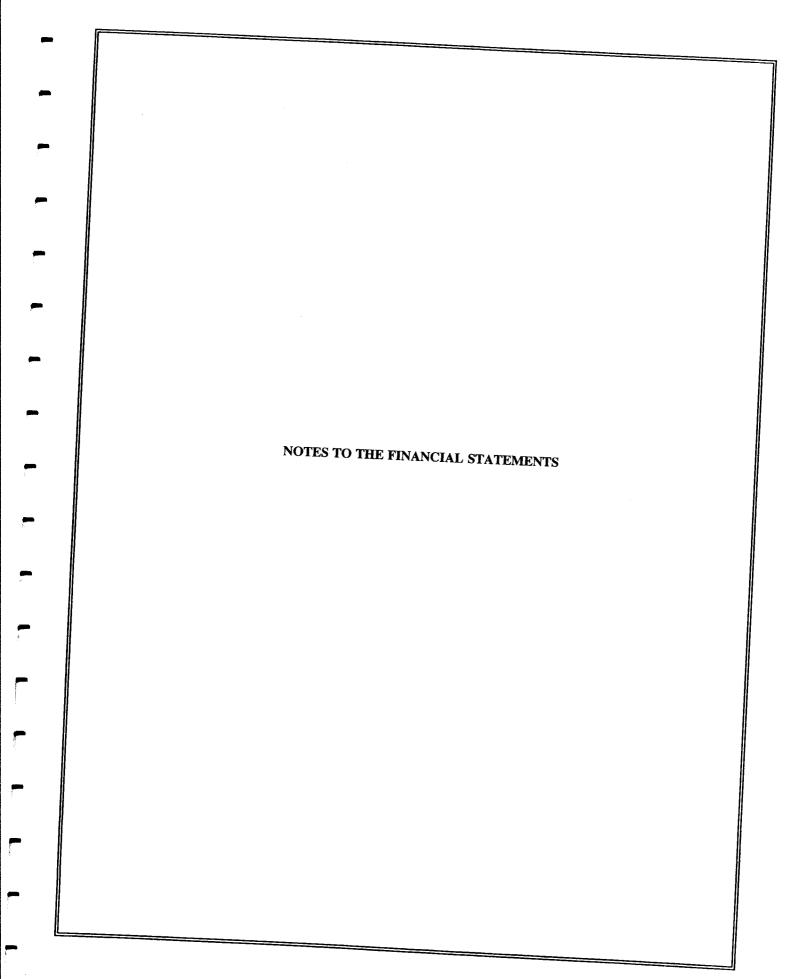
CASH FLOWS FROM	OPERATING
ACTIVITIES	

Operating Income (Loss) Adjustment to reconcile operating income to net cash provided by operating activities:	\$ 31,579	\$ 549	\$ 32,128
Depreciation     Provision for uncollectible accounts     Changes in assets and liabilities:	10,514 -	-	10,514
(Increase) Decrease in accounts receivable Increase (Decrease) in accounts payable Increase (Decrease) in deferred revenue Increase (Decrease) in customer deposits Increase (Decrease) in accrued benefits	(8,958) (1,872) - - (384)	(789) - - -	(9,747) (1,872) - -
NET CASH FROM OPERATING ACTIVITIES	\$ 30,879	\$ (240)	\$ 30,639

### FIDUCIARY FUND STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2005

ASSETS	Agency Fund
Cash and Cash Equivalents	¢ 400 47-
TOTAL ASSETS	\$ 102,153
	\$ 102,153
LIABILITIES	
Due to Other Funds  Due to Other Governmental Units	28,659
	73,494
TOTAL LIABILITIES	102,153
NET ASSETS	•
	_\$



### NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2005

## NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the Township of Stambaugh, Caspian, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

## THE FINANCIAL REPORTING ENTITY

The Township was organized in 1886 and covers an area of 1690 square miles. The Township operates under an elected board commissioners (5 people) and provides services to it approximately 1186 residents in many areas including law enforcement, general administration and water utility services. In accordance with the provisions GASB 34, certain other governmental organizations are not considered to be part the Township entityfor financial reporting purposes. The criteria established By GASB 34 for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method. However, in the case of blended component units, GASB believes that is would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements. When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate component unit and which relate to the primary government.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## BLENDED COMPONENT UNITS (Continued)

There are no blended component units reported in the audited financial statements for the Township of Stambaugh.

#### JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be reported.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### JOINTLY GOVERNED ORGANIZATIONS

A jointly governed organization is a multigovernmental arrangement that is governed by representatives from each of the governments that create the organization, but is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

### West Iron County Fire Board

The West Iron County Fire Board was organized in 1987 and provides fire protection for Iron River, Bates, and Stambaugh Township, and the City of Iron River, Iron County, Michigan. The Board operates under an appointed Board of Commissioners (9 people) and provides fire protection services to more than 4500 residents.

The Board is funded by assessments from the participating municipalities.

Financial statements are available by writing to:

West Iron County Fire Board P.O. Box 203 Iron River, Michigan 49935

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# JOINTLY GOVERNED ORGANIZATIONS (Continued)

West Iron County Volunteer Fire Department
The West Iron County Volunteer Fire
Department was organized in 1987 and consists
of volunteer fire fighters from the City of
Iron River and the Townships of Bates, Iron
River, and Stambaugh. The purpose of the
organization is to preserve and protect all
life and property as declared by the West
Iron County Fire Board.

The officers, elected by a plurality of votes of members present at the annual meeting consist of a Chief, Assistant Chief, First Captain, Second Captain, Training Officer, and Secretary/Treasurer.

Complete financial statements of the West Iron County Volunteer Fire Department can be obtained from:

West Iron County Volunteer Fire Department 640 9th Street Iron River, Michigan 49935

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### JOINTLY GOVERNED ORGANIZATIONS (Continued)

### Stambaugh Cemetery Association

The Stambaugh Cemetery Association was established by the cities of Caspian, Gaastra, the former City of Stambaugh, and the Township of Stambaugh on February 17, 1975. The term of duration was designated to be thirty (30) years. (The City of Stambaugh terminated its participation in the Stambaugh Cemetery Association effective June 30, 2000).

The purpose of the Association is to acquire, own, improve, enlarge, extend, and operate a cemetery system for residents of the Constituent Municipalities.

The Association operates under a Board of Directors, consisting of two (2) persons appointed by each of the Constituent Municipalities 'Controlling Boards, and is funded by assessments to each of its participating municipalities.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# JOINTLY GOVERNED ORGANIZATIONS (Continued)

Stambaugh Cemetery Association (Continued)
Financial statements can be obtained by
request to:

Stambaugh Cemetery Association P.O. Box 218 Gaastra, Michigan 49927

### West Iron County Sewer Authority

The **Township of Stambaugh** entered into an agreement with several governmental entities to form the West Iron County Sewer Authority.

The Authority was established in August 1972 under the provisions of Act 233, Public Acts of Michigan, 1955, as amended, and was organized to provide sewer service to the cities of Iron River, Caspian, and Gaastra, and a portion of Iron River Township. The first grant applications were filed in 1982.

#### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

County Sewer Authority.

### JOINTLY GOVERNED ORGANIZATIONS (Continued)

Iron County Sewer Authority (Continued) Members from each participating municipality are appointed by their respective governmental entities to serve on the Board of Trustees of the West Iron

Pursuant to the terms of the Authority's Sewer Use Ordinances adopted by the Authority and each Constituent Municipality, the Authority bills each Constituent Municipality monthly based on such Constituent Municipality's percentage of Equal Dwelling Units ("EDUs") to the total member of EDUs for the entire system.

Billing to end users is done by each Constituent Municipality using its own billing system and methodology.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### JOINTLY GOVERNED ORGANIZATIONS (Continued)

# West Iron County Sewer Authority (Continued)

Under the EDU system, the Authority adopts a preliminary budget in April of each year for its next fiscal year beginning the following July 01.

This preliminary budget is presented to each Constituent Municipality for review and consideration in its budgeting process. Prior to adopting its final budget in June of each year for the fiscal year beginning the following July 01, the Authority holds a public hearing with respect to the preliminary budget.

The preliminary and final budgets calculated EDU charges to cover both operation, maintenance, and replacement ("OMR") expenses and debt retirement expenses.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### JOINTLY GOVERNED ORGANIZATIONS (Continued)

West Iron County Sewer Authority (Continued)

Included in OMR charges are funds for future replacements of all major plant equipment.

During the fiscal year ended March 31, 2005, the **Township of Stambaugh** paid to the Authority fees totaling \$ 6,016 for OMR and debt retirement.

Financial statements for the West Iron County Sewer Authority can be requested by writing to:

West Iron County Sewer Authority P.O. Box 246 Caspian, Michigan 49915

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### RELATED ORGANIZATIONS

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

There are no related organizations to be reported.

#### BASIS OF PRESENTATION

The Township follows GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. GASB Statement No. 34 adds the following components to the financial statements:

### Management's Discussion and Analysis

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### BASIS OF PRESENTATION (Continued)

### Government-wide financial statements

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and longterm liabilities (such as buildings and infrastructure, including bridges roads, and general obligation debt). Annual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

#### Statement of Net Assets

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities).

#### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# BASIS OF PRESENTATION (Continued)

# Statement of Net Assets (Continued)

Governments report all capital assets, including infrastructure, government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

### Statement of Program Activities

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges intergovernmental grants).

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### BASIS OF PRESENTATION (Continued)

### Budgetary comparison schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Township and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary governmental entities for which the government is considered to be financially accountable.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

# BASIS OF PRESENTATION (Continued)

# GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the Township as a whole) and fund financial statements. The reporting model focus is on both the Township as a whole and the fund financial statements, including the major individual funds of governmental and business-type categories, as well as the fiduciary funds, (by category).

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

# BASIS OF PRESENTATION (Continued)

# GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Both governmental-wide and fund financial statements presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The Township generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Township may defer the use of restricted assets based on a review of the specific

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, culture and recreation, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### BASIS OF PRESENTATION (Continued)

# GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

In the fund financial statements, financial transactions and accounts of the Township are organized in the basis of funds. operation of each fund is considered to be independent fiscal and accounting entity, with a self-balancing separate sets of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### BASIS OF PRESENTATION (Continued)

# GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The Township's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# BASIS OF PRESENTATION (Continued)

The various funds are grouped, financial statements in this report, into several broad categories as follows:

### GOVERNMENTAL FUNDS

These funds are those through which most governmental functions typically financed. The acquisition, use, and balances the Township's expendable financial resources and the liabilities, except those accounted for in Proprietary Funds, are accounted for through the Governmental Funds.

These funds are as follows:

### General Fund

This fund is used for all financial transactions not accounted for in another including the general expenditures of the local unit.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### BASIS OF PRESENTATION (Continued)

#### GOVERNMENTAL FUNDS (Continued)

#### General Fund (Continued)

Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

For reporting purposes, the General Fund is always considered to be a major fund.

#### Special Revenue Fund

This fund is used to account for specific governmental revenues (other than special assessments) requiring separate accounting because of legal or regulatory provisions or administrative action. The Liquor Law Enforcement Fund is a Special Revenue Fund.

It is a non-major fund for reporting purposes.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### BASIS OF PRESENTATION (Continued)

#### PROPRIETARY FUNDS

#### Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises---where the intent governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose. The Township's Water and Sewer Funds are Enterprise Funds.

#### FIDUCIARY FUNDS

Trust and Agency funds are used to account for assets held in trust or as an agent for others.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# BASIS OF PRESENTATION (Continued)

### FIDUCIARY FUNDS (Continued)

Agency funds are custodial in nature and do not involve measurement of results of operation. The Township's current tax collection fund is an agency fund. The fund uses the modified accrual basis of accounting.

#### MEASUREMENT FOCUS

accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With measurement focus, only liabilities generally are included on the balance sheet in the funds statements. Longterm assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### BASIS OF PRESENTATION (Continued)

### MEASUREMENT FOCUS (Continued)

The government-wide statement of net assets statement of activities, proprietary funds, and private trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increase revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, financial statement of Proprietary Funds and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### BASIS OF PRESENTATION (Continued)

### MEASUREMENT FOCUS (Continued)

fund financial statements of the General and Special Revenue funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period which they become measurable and available. With respect to real and personal property tax revenue other local taxes, the term "available" and is limited to collection within sixty of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as when related eligible expenditures are revenue incurred.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### BASIS OF PRESENTATION (Continued)

### MEASUREMENT FOCUS (Continued)

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

#### ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### BASIS OF PRESENTATION (Continued)

#### ENCUMBRANCES

It is the Township's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

### CASH AND CASH EQUIVALENTS

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Township classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# BASIS OF PRESENTATION (Continued)

#### RECEIVABLES

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General and Special Revenue Funds. User charges for the Proprietary Funds are recorded as receivable when billed. On an annual basis the charges are reviewed for collectibility. Those deemed uncollectible are assigned to the tax roll.

### INTEREST RECEIVABLE

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### BASIS OF PRESENTATION (Continued)

### DUE TO/FROM OTHER FUNDS

Transactions between funds that had not been paid or received as of fiscal year-end have been recorded as inter-fund accounts receivable and payable. These inter-fund receivables and payables do not represent Board-approved loans between funds.

#### INVENTORIES

Inventories of supplies are expended as received.

#### DEFERRED REVENUE

Deferred revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2003

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# BASIS OF PRESENTATION (Continued)

# BUDGETS AND BUDGETARY ACCOUNTING

The Township follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31 of the preceding fiscal year, the Township prepares a budget for the next fiscal year beginning April 01. The operating budget includes proposed expenditures and the means of financing them.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING (Continued)

- 2. A meeting of the Township Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
- Prior to April 01, the budget is legally enacted through passage of a resolution by the members of the Township Board.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Township Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### BASIS OF PRESENTATION (Continued)

#### COMPENSATED ABSENCES

The full time Township employee receives 80 hours of sick time each year. These can be accumulated up to 240 hours. He also receives 80 hours vacation for year 1 thru 5. For years 6 thru 20 an additional 8 hours is added each year. There is currently no limit to the amount which can be accumulated.

At March 31, 2005, the accumulated liability for compensated absences, plus the related costs of FICA and Medicare, is \$ 4,313.

#### POST-EMPLOYMENT BENEFITS

The Township offers no post-employment benefits.

#### FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### BASIS OF PRESENTATION (Continued)

### FUND EQUITY (Continued)

Designated fund balances represent amounts earmarked by the Township for future expenditures.

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the Township for future expenses.

#### PROPERTY TAX

The delinquent real property taxes of the **Township of Stambaugh** are purchased by the County of Iron.

The Township's property taxes are levied and become a lien on each December 1st based on the taxable valuation of property located in the Township as of the preceding December 31st.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### BASIS OF PRESENTATION (Continued)

### PROPERTY TAX (Continued)

These taxes are due on February 14th with the final collection date of February 28th before they are added to the county delinquent tax rolls. Although the Township's ad valorem tax is levied and collectible on December 1st, it is the Township's policy to recognize revenue from the current tax levy in the fiscal year for which they have been levied and became available. The Township has a taxable valuation of \$ 52,210,941, on which ad valorem taxes levied consisted of 1.15 mills for the Township operating purposes.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# BASIS OF PRESENTATION (Continued)

# NON-MONETARY TRANSACTIONS

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include monetary and non-monetary assistance provided by or passed down from federal agency, such as grants, contracts, loans, property, etc. loan guarantees,

### CAPITAL ASSETS

Capital outlays expenditures of the General, are recorded Revenue, and Capital Projects Funds (when as governmental-wide statements to the extent as the Township's capitalization threshold of \$ 500 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives: Ruildin

Buildings					
Buildings	20	) .	- ;	30	years
Infrastructure					
Infrastructure	10	-	6	55	years
Furniture and Other					
Equipment	5	-	2	0 :	years

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### BASIS OF PRESENTATION (Continued)

#### CAPITAL ASSETS (Continued)

To the extent the Township's capitalization threshold of \$ 500 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

Land Improvements...... 20 years
Equipment..... 5 - 20 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### BASIS OF PRESENTATION (Continued)

#### CAPITAL ASSETS (Continued)

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, is eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

#### NOTE B - INTER-FUND ACTIVITIES

#### INTER-FUND RECEIVABLES AND PAYABLES

Inter-fund receivables and payables generally do not represent inter-fund borrowings; instead, they generally represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

### NOTE B - INTER-FUND ACTIVITIES (CONTINUED)

INTER-FUND	RE	CEIVABLE	S	AND	PAYA	21.12
(Continued)						2220
The amounts	of	inter-f	und	receiva	ables	and
payables as follows:	of	March	31,	2005	were	as

FUND	INTER-FUND RECEIVABLE	FUND	INTER-FUND PAYABLE
General Sewer Fund	\$ 75676 46	Tax Water Fund	\$ 28659 <u>47063</u>
Total	\$ <u>75722</u>		\$ <u>75722</u>

The General Fund is due funds from the tax fund representing current tax monies collected for the General Fund but undistributed as of March 31, 2005. The General Fund also reflects a receivable from the Water Fund from a loan made several years ago. There is also a small amount due the Sewer Fund from the Water Fund from operating activities.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE B - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

### OPERATING TRANSFERS

Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the fiscal year ended March 31, 2005, the Township did not have any transfers.

# OTHER FINANCING SOURCES (USES)

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case they are carried as assets and liabilities of the advancing or borrowing funds.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

#### NOTE C - CASH, DEPOSITS, AND INVESTMENTS

#### PRIMARY GOVERNMENT

On March 31, 2005, the carrying value of the Township's deposits (Primary Government) was \$ 745,906 and is comprised of cash and deposits reflected in the following funds:

Governmental Funds		
General Fund	\$	614220
Liquor Law Enforcement Fund	*	1699
	•	
Total Governmental Funds		615919
Enterprise Funds		
Water Fund		28120
Sewer Fund		(286)
	-	(====/
Total Enterprise Funds		27834
Fiduciary Funds		
Tax Collection Fund		102153
	-	
Total Fiduciary Funds		102153
TOTAL DRIVARY COMPANY		
TOTAL PRIMARY GOVERNMENT	\$	745906

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the local unit's cash deposits are categorized at three basic levels of risk.

These three levels of risk are as follows:

Category 1 Deposits which are insured or collateralized with securities held by the Township or by its agent in the Township's name.

Category 2 Deposits Which are collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

## NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

Category 3 Deposits which are not collateralized or insured.

Based on these three levels of risk, the Township's cash deposits are classified as follows:

Tell Style - Device in the Control of the Control o	
Primary Government	Category Category
And the second s	\$ 100000 et a
	\$ 645906 <b>\$</b> 745906

#### INVESTMENTS

The Township's investments are categorized below to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

## NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

#### INVESTMENTS (Continued)

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Township's name. Category 3 includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Township's name.

Investment Type	Category 1	© Category'	Category:	Ċa:	Tying Value	Market <u>V</u> alu
None		\$ 100 -0-	\$	Ş	-0-	-0-
Total Investments	\$ -70.5	\$ \(\frac{1}{2} \) \(\f	\$ <u>-0-</u>	s _	<u>-o-</u> \$	÷0-

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

#### STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the Township to deposit and invest in:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- 2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
- 3. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

### STATUTORY AUTHORITY (Continued)

- 4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
- Bankers acceptances of United States banks.
- 6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- 7. Mutual funds registered under the Investment Act 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

The Township's investments are in accordance with statutory authority.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

#### NOTE D - PENSION PLAN

# DESCRIPTION OF PLAN AND PLAN ASSETS

The **Township of Stambaugh** is an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty-connected death and postretirement adjustments to plan members and their beneficiaries.

The service retirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2004.

MERS was organized pursuant to Section 12a of Act#156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

#### NOTE D - PENSION PLAN (CONTINUED)

# DESCRIPTION OF PLAN AND PLAN ASSETS (Continued)

MERS is regulated under ACT No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information by writing to:

#### MERS 447 North Canal Street Lansing, Michigan 48917-9755

#### FUNDING POLICY

The obligation to contribute to and maintain the system for these employees was established by personnel policy, which does not require employees to contribute to the plan. The Township is required to contribute at an actuarially determined rate; the current rate was 6.21 percent at December 31, 2004.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE D - PENSION PLAN (CONTINUED)

### ANNUAL PENSION COST

During the fiscal year ended March 31, 2005, the Township's contributions totaling \$ 1,819 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004.

The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years.

The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE D - PENSION PLAN (CONTINUED)

# ANNUAL PENSION COST (Continued)

Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on age-related scale to reflect merit, longevity, and promotional salary increases.

# REQUIRED SUPPLEMENTARY INFORMATION FOR GASB STATEMENT NO. 25

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Ur	nderfunded AAL (UAAL)	Funded Ratio	Covered Cayroll	UAAL as a Percent of Covered
2002	\$ 53358	\$ 67097	\$	13739	80%		Payrol1
2003	54206	70533				\$ 27741	50%
2004	<b></b>			16327	77%	29950	55%
	54492	77871		22379	71%	32173	70%

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

## NOTE D - PENSION PLAN (CONTINUED)

## GASB 25 AND GASB 27 INFORMATION

The following information has been prepared to provide the information necessary to comply with GASB Statements 25 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1998.

All entries are based on the actuarial methods and assumption that are used in the December 31, 2004 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure

# GASB 25 INFORMATION (as of 12/31/04)

## Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits \$ 53204

Terminated employees not yet receiving benefits

0

(Continued on page 83)

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE D - PENSION PLAN (CONTINUED)

# GASB 25 AND GASB 27 INFORMATION (Continued)

# GASB 25 INFORMATION (as of 12/31/04)

Actuarial Access to	
Actuarial Accrued Liability	
Current employees - Accumulated employee contributions including allocated investment income Employer financed	\$
Total Actuarial Accrued Liability	8337 16330
Net Assets Available for Benefits at Actuarial Value (Market Value is \$ 54,167)	77871
Unfunded (Over-funded) Actuarial Accrued Liability	55492
	\$ 22379

# GASB 27 INFORMATION (as of 12/31/04)

Findel v.		
Fiscal Year	Beginning	
Annual n		April 01, 2006
	red Contribution (ARC)	
Amorticati	TIME!	\$ 2400
Amortization	Factor Used	
		0.053632

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

## NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

#### **BUDGET VIOLATIONS**

P.A. 621 of 1978, SECTION 18(1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated. The **Township of Stambaugh**'s actual expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of the **Township of Stambaugh** were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as financial statements.

There were no budget violations for the 2004-2005 fiscal year.

#### NOTE F - ACCUMULATED FUND DEFICITS

At March 31, 2005, the Township had no fund balance/retained earnings deficit in any fund.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

### NOTE G - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in the past three fiscal years.

### NOTE H - CAPITAL ASSETS

The following is a summary of changes in capital for the fiscal year ended March 31, 2005:

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE H - CAPITAL ASSETS (CONTINUED)

Land and Land Improvements 10000 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	GOVERNMENTAL ACTIVITIES Capital Assets Not Being Depreciated	Balance March 31, 2004	Inc	reases	Dec	eases		Balanc March 3:
Other Capital Assets Buildings Furniture & Other Equip. 39298 0 0 \$ 1000  Total Other Cap. Assets \$ 205750 \$ 0 \$ 0 \$ 205750  Less Accumulated Depreciation for: Buildings Furniture & Other Equip. (41613) (3329) 0 (44942) Otal Accum. Depreciation (70707) (5926) 0 (76633)	Total Capital Acres	10000	\$ 	0	\$	0	\$	
Furniture & Other Equip. 39298 0 0 166452  Total Other Cap. Assets \$ 205750 \$ 0 \$ 0 \$ 205750  Less Accumulated Depreciation for: Buildings Curniture & Other Equip. (41613) (3329) 0 (44942) Otal Accum. Depreciation (70707) (5926) 0 (76633)  ther Capital Assets, Net 135043	Other Capital Assets Buildings	10000	\$	0	\$	0	\$	1000
Furniture & Other Equip. (29094) (3329) 0 (44942)  Cotal Accum. Depreciation (70707) (5926) 0 (76633)  ther Capital Assets, Net 135043	Furniture & Other Equip.  Fotal Other Cap. Assets \$  less Accumulated  Depreciation for:	39298	\$	0	 \$	0	\$	166452 39298 <b>205750</b>
CTIVITIES 0 129117	otal Accum. Depreciation  her Capital Assets, Net	(29094) (70707)	(2	926)		0	-	(44942) (31691) (76633)

Depreciation was charged to governmental functions as unallocated.

#### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

### NOTE H - CAPITAL ASSETS (CONTINUED)

### BUSINESS-TYPE ACTIVITIES

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended March 31, 2005:

BUSINESS-TYPE ACTIVITIE: Capital Assets Not Being Depreciated:		Balance March 31, 2004	In	creases	Decr	eases	Þ	Balance March 31, 2005
Land	\$	0	\$	0	\$	0	\$	o
Other Capital Assets: Buildings Machinery and		33107		0		0		33107
Equipment Water Mains/Lines	_	41004 187282	_	2675 14274		0 0		43679 201556
Total Capital Assets	\$	261393	\$	16949	\$	0	\$	278342

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

#### NOTE H - CAPITAL ASSETS (CONTINUED)

### BUSINESS-TYPE ACTIVITIES (Continued)

(Continued from previous page)

Less Accumulated  Depreciation for:	Balance March 31, 2004	Increases	Decreases	Balance March 31, 2005
Buildings Machinery and	\$ (32109)	\$ (29)	\$ 0	\$ (32048)
Equipment Water Mains/Lines	(17642) <u>(54863</u> )	(5692) <u>(4793</u> )	0 0	(23334) (59656)
Total Accumulated Depreciation	(104524)	(10514)	0	(115038)
TOTAL BUSINESS-TYPE ACTIVITIES	\$ <u>156869</u>	\$ <u>6435</u>	\$0	\$ <u>163304</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

#### NOTE I - LONG-TERM DEBT

There is no long-term debt for the Township at fiscal year ended March 31, 2005.

## NOTE J - SEGMENT INFORMATION - Enterprise Fund

	Sewer Fund		later und	Total
Operating Revenues	\$ 7253	\$ 1	39018	\$ 146271
Depreciation and Amortization Expense Operating Income or (Loss) Operating Grants, Entitlements,	0		10514	10514
and Shared Revenues Operating Transfers:	549		31579	32128
In (Out)	0		0	0
Tax Revenues	0		0	0
Net Income or Loss	0		0	n
THEOMIC OI HOSS	549	3	34006	34555

(Continued on page 90)

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

# NOTE J - SEGMENT INFORMATION - Enterprise Fund (CONTINUED)

## (Continued from previous page)

		Sewer Fund	Water Fund	Total
Current Capital:	٠,			
Contributions	\$		\$	\$
Transfers		0	0	0
Property, Plant, and Equipment		0	0	0
Additions				
Deletions		0	16850	16850
Net Working Capital		0	0	0.000
Total Assets		549	(7788)	(7239)
Bonds and Other Long-Term Liabilities		549	208572	209121
		0	0	0
Payable from Operating Revenues		0	0	0
Payable from Other Sources Total Equity		0	0	0
Sear Equity		549	155516	0 156065

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

### NOTE L - SUBSEQUENT EVENTS

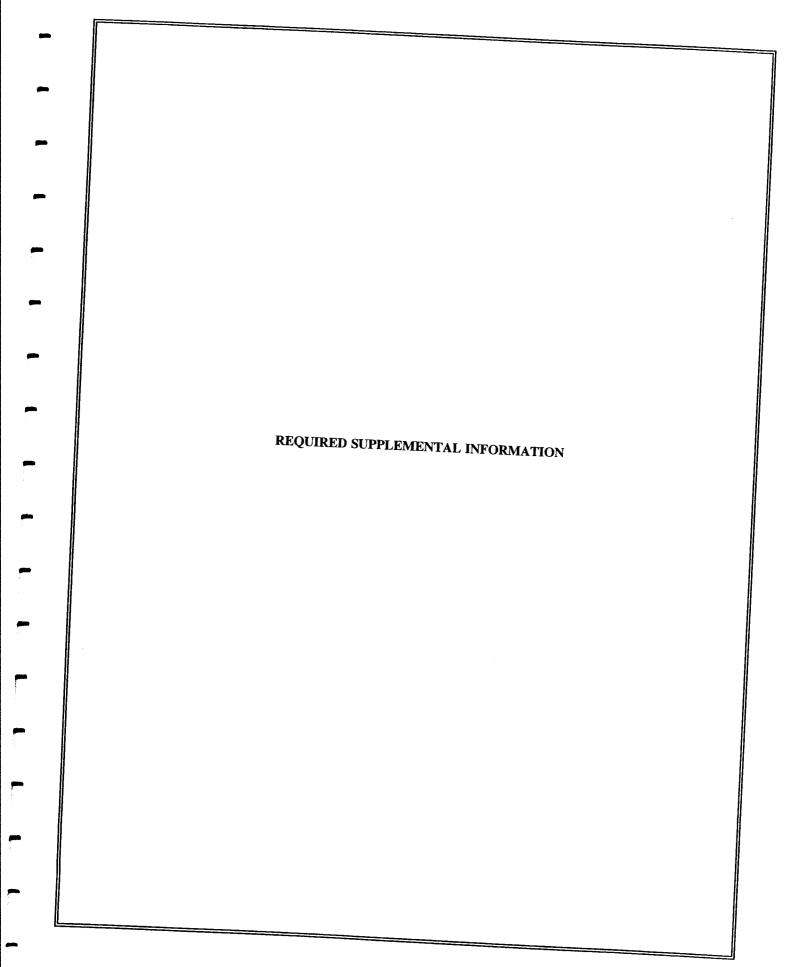
Subsequent events have a material effect on the financial statements which requires adjustment or disclosure.

They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended March 31, 2005, there were no subsequent events that would have a significant affect on the Township's operations.

## NOTE M - COMMITMENTS AND CONTINGENCIES

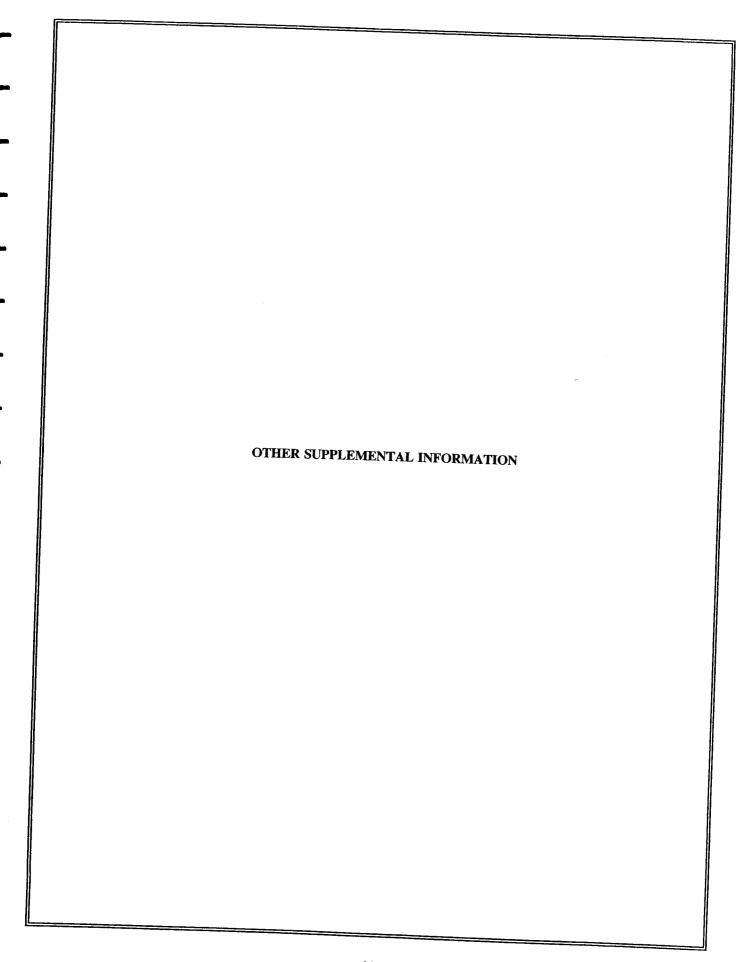
There are no commitments or contingencies to be reported for the **Township of Stambaugh** for the fiscal year ended March 31, 2005.



#### BUDGETARY COMPARISON SCHEDULE GENERAL FUND

YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	
REVENUES		DODGET	ACTUAL
General property taxes	_		
Other local taxes / administration fees	\$ 32,500	\$ 32,500	\$ 64,851
Licenses, permits, and fees Sale of Property	1,500	1,500	18,301 1,850
Use of money and property Charges for services - tax collection	2,500	2,500	4,498
Miscellaneous	-	_	0.000
Federal Sources	-	-	8,233
State Sources	•	_	237
	70,000	70,000	11,318
TOTAL REVENUE	400 500		90,200
	106,500	106,500	199,488
EXPENDITURES			100,100
General government	80,400		
Legislative	32,700	80,400	72,814
Township property	70,000	32,700	17,400
Public Works	70,000 149,106	70,000	29,939
Cemetary	12,000	149,106	105,107
Public Safety	20,000	12,000	9,984
Recreation and Culture	1,160	20,000	19,000
Capital Outlay	5,000	1,160	-
TOTAL EVENT	0,000	5,000	3,218
TOTAL EXPENDITURES	370,366	370,366	257,462
OTHER FINANCING SOURCES (USES)			237,402
Operating transfers in			
Operating transfers out	-	-	_
		-	<u>-</u>
TOTAL OTHER FINANCING			
SOURCES (USES)			
NET OLIANO	•	-	_
NET CHANGE IN FUND BALANCE	(263,866)		
FUND DALANCE 155	(200,000)	(263,866)	(57,974)
FUND BALANCE, APRIL 01	735,962	705.000	,
FIIND RALANCE MARCH		735,962	735,962
FUND BALANCE, MARCH 31	\$ 472,096	\$ 472,096	\$ 677,988



#### BALANCE SHEET NON-MAJOR GOVERNMENTAL FUND

MARCH 31, 2005

\$ 1,699

ASSETS
--------

Cash and Deposits \$ 1,699 **TOTAL ASSETS** \$ 1,699 LIABILITIES AND FUND EQUITY LIABILITIES **Accrued Benefits** 21 **FUND EQUITY** Fund Balance - Reserved for Liquor Law Enforcement 1,678 TOTAL LIABILITIES AND FUND EQUITY

# STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUND

YEAR ENDED MARCH 31, 2005

REVENUE Intergovernmental	Liquor Law <u>Enforcement Fund</u>
TOTAL REVENUE	\$ 1,678
	\$ 1,678
EXPENDITURES Current	
Public safety	
TOTAL EXPENDITURES	1,460
	\$ 1,460
Excess (Deficiency) of Revenues Over Expenditures	
	218
FUND BALANCE - BEGINNING OF YEAR	
FUND BALANCE - END OF YEAR	1,460
	\$ 1,678

# COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN RETAINED EARNINGS ALL PROPRIETARY FUND TYPES

FISCAL YEAR ENDED MARCH 31, 2005

	WATER FUND	SEWER FUND	TOTAL
OPERATING REVENUES			
Charges for Services Other Revenue	\$ 137,280 1,738	\$ 7,253 -	\$144,533 1,738
TOTAL OPERATING REVENUES	\$ 139,018	\$ 7,253	\$146,271
OPERATING EXPENSES Salaries			
Fringe Benefits Contract Services	26,494 15,800	- -	26,494 15,800
Supplies Utilities Repairs & Maintenance	13,581 12,614 13,550	6,704 - -	20,285 12,614
Equipment Rental Truck Expenses	6,955	-	13,550 - 6,955
Water Purchases Depreciation	3,533 4,062	-	3,533 4,062
Mileage Fees	10,514 311 25	-	10,514 311
TOTAL OPERATING EXPENSES	\$ 107,439	\$ 6,704	\$114,143
Operating Income (Loss)	31,579	549	32,128
NON-OPERATING INCOME Interest Income	2.427		
Net Income (Loss)	<u>2,427</u> 34,006	<del></del> 549	2,427
RETAINED EARNINGS, APRIL 1	121,510	∪ <del>48</del> -	34,555 121,510
RETAINED EARNINGS, MARCH 31	\$ 155,516	\$ 549	\$156,065

#### BALANCE SHEET GENERAL FUND

MARCH 31, 2005

AS	S	E.	TS
----	---	----	----

 Cash and Deposits
 \$614,220

 Taxes Receivable
 5,932

 Due from Other Funds
 75,676

 TOTAL ASSETS
 \$695,828

# LIABILITIES AND FUND EQUITY LIABILITIES

Accrued Benefits 739
Deferred Revenue 17,101

TOTAL LIABILITIES 17,840

#### **FUND EQUITY**

Fund Balance - Unreserved 677,988

TOTAL LIABILITIES AND FUND EQUITY \$695,828

#### STATEMENT OF REVENUES ACTUAL AND BUDGET - GENERAL FUND

FISCAL YEAR ENDED MARCH 31, 2005

REVENUES Taxes	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE FAVORABLE (UNFAVORABLE)
Property Taxes Penalties and Interest on Taxes Administration Fees Commercial Forest / Swamp Tax	\$ 60,030 2,074 18,301 2,747	\$	\$
Total Taxes <u>Federal Sources</u>	83,152	32,500	50,652
Schools and Roads Grant  Total Federal Sources	11,318		
State Shared Receipts Sales Tax	11,318	•	11,318
Metro Act	86,788 3,412		
Total State Shared Receipts <u>Rental</u>	90,200	70,000	20,200
Hall  Total Rental	840		
Other Revenue Building Permits / Zoning Fees	840	500	340
Summer Tax Collection Fee Parks and Recreation Miscellaneous	1,850 8,233 237		
Total Other Revenue	2,873 13,193	1,500	11,693
Interest TOTAL REVENUE	785	2,000	(1,215)
	\$199,488	\$106,500	\$ 92,988

# STATEMENT OF EXPENDITURES - GENERAL FUND ACTUAL AND BUDGET

FISCAL YEAR ENDED MARCH 31, 2005

<u>LEGISLATIVE</u>	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE
Township Board Salaries			
	\$ 3,75	5 ¢	
Fringe Benefits	287		\$_
Printing and Publishing	465		
Supplies	328		
Accounting Donations	263		
Dues	1,159		
	1,106		
Street Lighting Contract Services	987		
Miscellaneous	7,802		
Miscellaneous	1,248		
Total Township Board	17,400	32,700	
TOTAL LEGISLATIVE			15,300
	17,400	32,700	45.000
GENERAL GOVERNMENT		,	15,300
Supervisor			
Salaries	40.74-		
Fringe Benefits	10,700		
Supplies	819		
Mileage	118 448		
Total Supervisor			
	12,085	13,000	915
Assessor			010
Salaries	9,430		
Fringe Benefits	9,430 721		
Supplies and Mileage	925		
Total Assessor	11.070		
Florid	11,076	12,000	924
Elections			<b>547</b>
Salaries	1,021		
Supplies	515		
Printing and Publishing	163		
Total Elections			
	1,699	1,700	4
Clerk			1
Salaries	10 100		
Fringe Benefits	13,430	-	
Supplies	1,027		-
Mileage	498 798		
Total Clerk	\$ 15,753	\$ 16,000	

#### STATEMENT OF EXPENDITURES - GENERAL FUND ACTUAL AND BUDGET (CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

GENERAL GOVERNMENT (Continued	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
Treasurer			
Salaries	\$ 17,313	•	
Fringe Benefits	Ψ 17,313 1,324	\$ -	\$ -
Supplies	2,363		
Tax Collection Expense	5,545		
Printing and Publishing	30		
Total Treasurer	26,575	30,000	3,425
Board of Review			
Salaries			
Fringe Benefits	756		
g = onome	58		
Total Board of Review	814	1,200	386
Compensation Commission			
Salaries	975		
Fringe Benefits	375		
	29		
Total Compensation Commission	404	500	96
Zoning Board			
Salaries			
Fringe Benefits	3,143		
Publishing/Printing	240		
Supplies	160		
Mileage	14		
· ·	851		
Total Zoning Board	4,408	6,000	1,592
TOTAL GENERAL GOVERNMENT	\$ 72,814	\$ 80,400	\$ 7,586

# STATEMENT OF EXPENDITURES - GENERAL FUND ACTUAL AND BUDGET (CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

TOWNSHIP PROPERTY Township Hall	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
Salaries	10,975		
Fringe Benefits	840	-	-
Supplies	2,901		
Repairs and Maintenance	401		
Utilities	1.703		
Contracted Services	1,703		
Insurance	11,151		
Telephone	1,952		
_	1,332		
Total Township Hall	29,939	70,000	40,061
TOTAL TOWNSHIP PROPERTY	\$ 29,939	\$ 70,000	\$ 40,061
CEMETERY			
Contracted Services	<u>\$</u> 9,984	\$ -	\$ _
TOTAL CEMETERY	9,984	12,000	
PUBLIC WORKS		-2,000	2,016
Contract Services	105,107		
TOTAL PUBLIC WORKS			
TOTAL FUBLIC WORKS	105,107	149,106	40.00
PUBLIC SAFETY		1 10,100	43,999
Fire Protection			
The Protection	19,000		
TOTAL PUBLIC SAFETY	19,000	20,000	4.000
RECREATION & CULTURE		_0,000	1,000
TENTENTION & COLIURE	-	1,160	4.400
CAPITAL OUTLAY		1,.00	1,160
COTLAT	3,218	5,000	4.700
TOTAL EXPENDITURES		-,	1,782
	\$257,462	\$370,366	\$ 112,904
			112,904

#### BALANCE SHEET LIQUOR LAW ENFORCEMENT FUND

MARCH 31, 2005

ASSETS	
Cash and Deposits	_\$ 1,699
TOTAL ASSETS	\$ 1,699
LIABILITIES AND FUND EQUITY LIABILITIES	<del></del>
Accrued Benefits	04
FUND EQUITY	21

**FUND EQUITY** 

Fund Balance - Reserved for Liquor Law Enforcement 1,678 TOTAL LIABILITIES AND FUND EQUITY \$ 1,699

# STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY ACTUAL AND BUDGET - LIQUOR LAW ENFORCEMENT FUND

FISCAL YEAR ENDED MARCH 31, 2005

REVENUES State Sources	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
Grant	\$ 1,678	<b>\$</b> 1,678	\$ -
TOTAL REVENUES	1,678	1,678	•
EXPENDITURES Public Safety			
Salaries	1,330		
Fringe Benefits	102		
Supplies	28		
TOTAL EXPENDITURES	1,460	2,036_	576
Excess of Revenues Over (Under) Expenditures	218	(358)	576
Other Financing Sources (Uses) Operating Transfers In			-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	218	(358)	576
FUND EQUITY, APRIL 1	1,460	` ,	0/0
FUND EQUITY, MARCH 31	\$ 1,678		

#### BALANCE SHEET WATER FUND

MARCH 31, 2005

<u>ASSETS</u>	
Cash and Deposits Accounts Receivable Due from Other Funds Buildings & Equipment Accumulated Depreciation	\$ 28,120 17,148 - 278,342 
TOTAL ASSETS	
LIABILITIES & FUND EQUITY LIABILITIES	\$ 208,572
Accounts Payable Accrued Benefits Due to Other Funds  TOTAL LIABILITIES  FUND EQUITY	848 5,145 47,063 \$ 53,056
Retained Earnings	155 540
TOTAL LIABILITIES AND FUND EQUITY	155,516 <b>\$ 208,572</b>

# STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN RETAINED EARNINGS WATER FUND

FISCAL YEAR ENDED MARCH 31, 2005

OPERATING REVENUES Charges for Services Other Revenue	\$ 137,280 1,738
TOTAL OPERATING REVENUES	\$ 139,018
OPERATING EXPENSES	
Salaries Fringe Benefits Contract Services Supplies Utilities Repairs & Maintenance Equipment Rental Truck Expenses Water Purchases Depreciation Mileage Fees	26,494 15,800 13,581 12,614 13,550 
TOTAL OPERATING EXPENSES	<u>25</u> \$ 107,439
Operating Income (Loss)	31,579
NON-OPERATING INCOME Interest Income	,
Not Income (L.	2,427
Net Income (Loss)	34,006
RETAINED EARNINGS, APRIL 1	121,510
RETAINED EARNINGS, MARCH 31	\$ 155,516

# STATEMENT OF CASH FLOWS WATER FUND

FISCAL YEAR ENDED MARCH 31, 2005

### CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES  Net cash received from fees and services Other operating revenues Cash payments to employees for services Cash payments to goods and services Other operating expenses	\$	128,322 1,738 (42,678) (56,503)
NET CASH FROM OPERATING ACTIVITIES	<u> </u>	30,879
NON CAPITAL AND FINANCING ACTIVITIES (Increase) decrease in due from other funds Increase (decrease) in due to other funds Net operating transfers in (out)	•	- (1,954)
NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES		
	\$	(1,954)
CAPITAL AND RELATED FINANCING ACTIVITIES  Acquisition and construction of capital assets  Principal payment on long-term bonds  Interest paid on long-term bonds		(16,949)
Interest and tax expense Proceeds from borrowings Contributed capital grants		- -
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	s	(16,949)
INVESTING ACTIVITIES Interest Income	•	•
NET CASH FROM INVESTING ACTIVITIES		2,427
NET INCREASE (DECREASE) IN CASH AND	\$	2,427
CASH EQUIVALENTS		14,403
Cash and Cash Equivalents, Beginning of Year		13,717
Cash and Cash Equivalents, End of Year	\$	28,120

#### STATEMENT OF CASH FLOWS WATER FUND (CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

# CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income (Loss) Adjustment to reconcile operating income to net cash provided by operating activities:	\$ 31,579
Depreciation     Provision for uncollectible accounts     Changes in assets and liabilities :	10,514 -
(Increase) Decrease in accounts receivable Increase (Decrease) in accounts payable Increase (Decrease) in deferred revenue Increase (Decrease) in customer deposits Increase (Decrease) in accrued benefits	 (8,958) (1,872) - - (384)
NET CASH FROM OPERATING ACTIVITIES	\$ 30,879

#### BALANCE SHEET SEWER FUND

MARCH 31, 2005

#### **ASSETS**

Cash and Deposits Accounts Receivable Due from Other Funds	\$ (286) 789 46
TOTAL ASSETS	\$ 549
FUND EQUITY	
Retained Earnings	549
TOTAL LIABILITIES AND FUND EQUITY	\$ 549

# STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN RETAINED EARNINGS SEWER FUND

FISCAL YEAR ENDED MARCH 31, 2005

OPERATING REVENUES		
Charges for Services	\$	7253
TOTAL OPERATING REVENUES	\$	7253
OPERATING EXPENSES		
Contract Services		6704
TOTAL OPERATING EXPENSES	\$	6704
Operating Income (Loss)		549
NON-OPERATING INCOME Interest Income		
Net Income (Loss)		0
		549
RETAINED EARNINGS, APRIL 1		0
RETAINED EARNINGS, MARCH 31		<u>_</u>
y m twill 0	\$_	549

#### STATEMENT OF CASH FLOWS SEWER FUND

FISCAL YEAR ENDED MARCH 31, 2005

### CASH FLOWS FROM (USED BY)

•		
OPERATING ACTIVITIES		
Net cash received from fees and services		
Other operating revenues	\$	6,464
Cash payments to employees for services		-
Cash payments to goods and services		-
Other operating expenses		(6,704)
NET CASH FROM OPERATING ACTIVITIES		
	\$	(240)
NON CAPITAL AND FINANCING ACTIVITIES		
(increase) decrease in due from other funds		
Increase (decrease) in due to other funds		(46)
Net operating transfers in (out)		-
NET CASH FROM NON CAPITAL AND FINANCING		
ACTIVITIES		
	\$	(46)
CAPITAL AND RELATED FINANCING ACTIVITIES		
requisition and construction of canital assets		
Principal payment on long-term bonds		-
interest paid on long-term bonds		-
Interest and tax expense		-
Proceeds from borrowings		-
Contributed capital grants		-
NET CASH USED BY CAPITAL AND RELATED		
FINANCING ACTIVITIES	_	
	\$	-
INVESTING ACTIVITIES		
Interest Income		
NET CASH FROM INVESTING ACTIVITIES		<del></del>
	\$	-
NET INCREASE (DECREASE) IN CASH AND		
CASH EQUIVALENTS		
		(286)
Cash and Cash Equivalents, Beginning of Year		
Cash and Cash Equivalents, End of Year		
	\$	(286)

#### STATEMENT OF CASH FLOWS SEWER FUND (CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2005

## CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income (Loss) Adjustment to reconcile operating income to net cash provided by operating activities:	\$ 549
Depreciation     Provision for uncollectible accounts     Changes in assets and liabilities:     (Increase) Decrease in accounts receivable     Increase (Decrease) in accounts payable     Increase (Decrease) in deferred revenue     Increase (Decrease) in customer deposits     Increase (Decrease) in accrued benefits	- (789) - -
NET CASH FROM OPERATING ACTIVITIES	\$ (240)

## STATEMENT OF ASSETS AND LIABILITIES TRUST AND AGENCY FUND

FISCAL YEAR ENDED MARCH 31, 2005

ASSETS	BALANCE 4/1/2004	ADDITIONS	DEDUCTIONS	BALANCE 3/31/2005
Cash TOTAL ASSETS	\$109,819 \$109,819	\$1,857,340 \$1,857,340	\$ 1,865,006 \$ 1,865,006	\$102,153 \$102,153
LIABILITIES				<b>4 102, 100</b>
Due to General Fund Due to County Due to Schools Due to Other Due to Library  TOTAL LIABILITIES	25,125 25,207 26,561 32,584 342 \$109,819	75,574 898,734 706,994 118,762 	72,040 907,063 722,834 106,636 56,433	28,659 16,878 10,721 44,710 
		Ψ1,007,340	\$ 1,865,006	\$102,153

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

# DS Rostagno, CPA, P.C.

101 West Maple Street, Iron River, MI 49935 Tel (906) 265-1040 Fax (906) 265-1042

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Supervisor and Township Board Township of Stambaugh Caspian, Michigan 49915

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Stambaugh, as of and for the year ended March 31, 2005, which collectively comprise the **Township of Stambaugh**'s basic financial statements, and have issued our report thereon dated July 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Stambaugh's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted to such matter involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Stambaugh's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

## Compliance and Other Matters (Continued)

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

However, we noted certain matters regarding compliance that we have reported to the management of Stambaugh Township in a separate letter dated July 20, 2005.

This report is intended solely for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other

Riemeld Gastagna

Dianne S. Rostagno DS ROSTAGNO, CPA, P.C.

July 20, 2005

## DS Rostagno, CPA, P.C.

101 West Maple Street, Iron River, MI 49935 Tel (906) 265-1040 Fax (906) 265-1042

Honorable Supervisor and Township Board **Township of Stambaugh** Caspian, Michigan 49915

In planning and performing the audit of the financial statements of the **Township** of Stambaugh, we considered the Township's internal control structure to plan the auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated July 20, 2005, on the financial statements of the Township of Stambaugh. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with Township officials, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience or to assist you in implementing the recommendations. Our comments are summarized as follows:

#### \*\* Problem

Public Act 196 of 1997 requires that the Township adopt a formal investment policy for Township investment of surplus funds.

The Township has failed to adopt such a policy.

#### Recommendation

The Township should adopt a formal investment policy in accordance with statutory provisions as provided in P.A. 196 of 1997.

I wish to thank the Township's Clerk and Treasurer for their support and assistance during our audit.

This report is intended solely for the information and use of the Township of Stambaugh.

Dianne S. Rosbagno ()
DS ROSTAGNO, CPA, P.C.

July 20, 2005

## DS Rostagno, CPA, P.C.

101 West Maple Street, Iron River, MI 49935 Tel (906) 265-1040 Fax (906) 265-1042

July 20, 2005

Honorable Supervisor and Township Board **Township of Stambaugh** Caspian, Michigan 49915

We have audited the financial statements of the **Township of Stambaugh** for the year ended March 31, 2005, and have issued our report thereon dated July 20, 2005. Professional standards require that we provide you with the following information related to the audit:

# Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated February 02, 2005, our responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of the audit, we considered the internal control of the **Township of Stambaugh.** Such considerations were solely for the purpose of determining the audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the **Township of Stambaugh's** compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

## Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Stambaugh are described in the Note to the financial statements.

## Significant Accounting Policies (Continued)

With the exception of the implementation of GASB 34, there were no new accounting policies adopted and the application of existing policies was not changed during this year. We noted no transactions entered into by the **Township of Stambaugh** during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no sensitive estimates affecting the financial statements as presented.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the **Township of Stambaugh** that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the our judgment, either individually or in the aggregate, have a significant effect on the **Township of Stambaugh**'s financial reporting process.

## Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

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# Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

# Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Stambaugh's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses

# Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in

This information is intended solely for the use of the Board and management of the Township of Stambaugh and is not intended to be and should not be used by Very truly yours,

Dianne S. Rostagno

DS ROSTAGNO, CPA, P.C.